

NEWPORT LEGACY ZURICH SWITZERLAND: RISING OIL PRICES CATCH EMERGING ECONOMIES AT A VULNERABLE MOMENT



OIL prices have a knack of jumping at the most inconvenient times. As in 2007, for instance, when the price of a barrel soared into triple digits, destabilising a world economy already heading for a financial crisis. Or, for that matter, now. At more

than \$80 per barrel, Brent crude is nearly twice as costly as in the summer of 2017 and three times as pricey as in early 2016 (see chart, left panel). Dear oil does not yet mean a crisis. But it is putting emerging markets, already labouring, under further stress.

That oil should once again be causing trouble is a bit of a surprise. Half a decade ago prices in excess of \$100 per barrel seemed to be a permanent feature of the economic landscape. But in 2014 prices crashed, as America's shale boom turned the market on its head. The world quickly embraced the idea of a "new normal" for oil: in which large-scale, flexible shale production in America promised to keep prices stable and moderate. Americans scarcely had an opportunity to swap their Priuses for gas-guzzling SUVs before the market turned again.